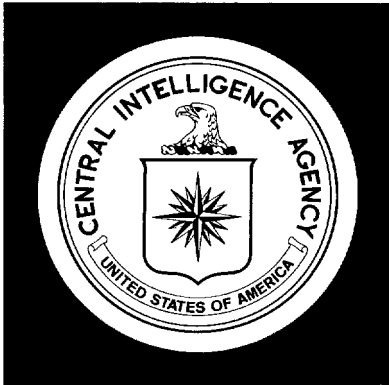


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JAPAN: The \$1-billion total trade surplus in July was the largest this year, but Tokyo was able to prevent a large increase in foreign exchange reserves.

The surplus for the first seven months of this year has reached \$4.7 billion, about one third higher than for the same period last year, and Japan's 1972 surplus will easily top last year's record \$7.8 billion. Slow import growth contributed significantly to the July surplus, only four percent higher than the July 1971 level. This, in part, reflects continued high raw materials inventories and the impact of the seamen's strike, which lasted until mid-July. Exports grew at a modest 12 percent, mainly as a result of dollar price rises stemming from the December revaluation. In volume terms, exports probably changed little from the July 1971 level.

Despite the large trade surplus and Bank of Japan actions to support the dollar throughout July, Tokyo kept down the rise in foreign exchange reserves to only \$39 million during last month, keeping the total at the \$15.8-billion level. This occurred largely because the Bank of Japan shifted newly acquired dollars back to commercial banks. Some of these funds are being used by the commercial banks to loan to multi-national companies at subsidized interest rates.

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USSR: The Soviet Navy has deployed the first of its two newly modified naval command ships.

The Zhdanov, a Sverdlov-class light cruiser, entered the Mediterranean on 11 August for the first time since it completed its lengthy modification at a Black Sea shipyard. It is now probably testing its ability to communicate at sea with naval shore headquarters and ships over long distances.

The Zhdanov's modification, which began about 1966, consists primarily of an upgraded capability for communications and self defense against aircraft. Only one of its four six-inch gun turrets was removed. [REDACTED]

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[REDACTED] Its new short-range defenses against aircraft consist of the retractable SA-N-4 surface-to-air missile and four rapid-fire 30-mm. twin gun mounts.

The Soviet Navy now has 11 active cruisers of the Sverdlov class. Of the 14 Sverdlovs completed between 1951 and 1955, one was scrapped, one was sold to Indonesia, and one is in mothballs. Eight of the active Sverdlovs retain their original main gun armament and one carries the SA-N-2 surface-to-air missile. [REDACTED]

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[REDACTED] The USSR evidently regards its cruisers as something more than the "floating coffins" Krushchev called them. [REDACTED]

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ARGENTINA: President Lanusse's troubles are multiplying as he tries to lay the groundwork for the presidential election next March.

Lanusse's difficulties in achieving agreement with Argentina's disparate political parties on organizing the election have been compounded by the resignation of one of his more popular cabinet ministers and a speech by his fellow junta member General Rey, which criticized Argentina's economic system. The Peronists and the political coalition they dominate, the Frente Civico, are refusing to meet with the government, since they sense that Lanusse's position may be shaky. Without the Peronists, an election would bring in a minority government. Juan Peron himself continues to threaten to return to Argentina, but this is such an unlikely development, in view of his fears of assassination, that his threats pose only a minor irritant to Lanusse.

Rey's attack on Argentina's free-market economy, which is troubled by inflation, and insistent pressure from some political and military sectors for increasing nationalization, may well have been a surprise to Lanusse. General Rey, as the number two man in the ruling junta, is supposed to succeed Lanusse in January, and rumbles that a chink has been opened in Lanusse's armor are already being heard.

Lanusse is trying to quiet the situation by easing pressure on the political parties to come to the bargaining table, but a dispute with General Rey may not be so easily papered over. [REDACTED]

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UK-UGANDA: The expulsion of Asian residents from Uganda presents the UK with another dilemma.



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the British have been hit with President Amin's decision to expel within 90 days the approximately 55,000 Asians living in Uganda who hold British passports.

London has accepted responsibility for the Asians and set up a special committee to draw up contingency plans. Officials estimate that, at the most, the UK can absorb only 28,000 Asians annually without encountering complicated economic and sheer physical problems.



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The British, who have characterized Amin's timetable as "impossible," are concentrating on diplomatic efforts to modify his expulsion order. Prime Minister Heath has requested the assistance of several Commonwealth governments, including India and Pakistan, in reasoning with Amin as well as in resettling some of the Asians.

Meanwhile, Amin has told a special British envoy that he intends to stand firm. Amin's stance will serve to legitimize anti-Asian feeling that pervades Uganda as well as the rest of east Africa. Africans resent the Asians' conspicuous clannishness and their disproportionate role in commerce and the professions. Most Asians, moreover, have been reluctant to take up Ugandan citizenship, preferring instead a restricted form of British citizenship.

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The Kampala government moved quickly to make things difficult for Asians exempted from the President's edict as well as those ordered to leave. It announced that businesses of departing Asians could be sold only to Ugandans, that leases of Asians and Europeans would not be renewed, and that Asians must turn in all firearms and ammunition. Kampala also is rejecting a number of Asian claims to Ugandan citizenship. As a result, large numbers exempted from the president's order plan to join those already leaving Uganda. [REDACTED]

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ALGERIA: The Foreign Ministry is forging ahead with its own efforts to organize a conference of Mediterranean states.

Algeria's main purpose has been to create a bloc which would make its weight felt in a conference on European security. The Algerians believe that unless such a bloc is formed, the interests of non-European Mediterranean states would be overlooked or even bartered away by the major powers.

Unlike the proposal for a western Mediterranean grouping discussed recently by Italian and French leaders, the Algerians envisage a meeting of the foreign ministers of all Mediterranean states that are "outside blocs." In the Algerian context, this includes Yugoslavia, the Arab states, and France, but excludes Israel and also Italy, Greece, and Turkey, the latter three because of their membership in NATO. Moreover, the Algerians propose to discuss the security of the region, particularly means to remove both the American and Soviet fleets from the area. The western Mediterranean grouping, at least initially, would exclude any discussion of security problems.

After canvassing proposed invitees, the Algerians claim all eligible countries except France appear willing to attend such a conference early next year in Algiers.

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EGYPT: Leftist intellectuals are reportedly uneasy about their future in the wake of the ouster of the Soviet military mission.

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[redacted] Leftist uneasiness is apparently being fed by reports that security forces have prepared a list of Soviet sympathizers to be imprisoned should President Sadat decide to move against them. Their concern probably has also been deepened by a draft law on national unity currently under consideration by the nation's legislature, the People's Assembly. The new law will provide the government with sweeping authority to move against opposition activity. One prominent intellectual voiced his concern over the bill in a newspaper article on 14 August, offering a reminder that Egyptian society "embodies more than one social force."

[redacted] 25X1
[redacted] and they do not appear to represent any real threat to the Sadat regime. As yet, there are no good indications that a regime crackdown is imminent, but pressure from rightist elements or a further deterioration in relations between Egypt and the Soviet Union might prompt Sadat to move against local Communist sympathizers at some future time. [redacted] 25X1
[redacted]

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YUGOSLAVIA: Premier Bijedic has asserted that, despite the nation's decentralized political system, federal authorities are not limited to a passive role where vital economic issues are concerned.

Bijedic has proposed creation of an inter-republic commission to force resolution of problems of taxation and revenue distribution, as well as to coordinate the expansion of production. In a recent letter to republic and provincial leaders, he stated that failure to reach a consensus on these issues is a major stumbling block to Yugoslavia's economic stabilization program.

The proposed commission would join the five inter-republic bodies already in existence and should, from the tone of Bijedic's proposal, become a major organ for solving contentious economic problems. The distribution of tax revenue has been a particularly vexing question. It played a part in the Croatian political upheaval last year when officials in Zagreb balked not only at seeing a large share of the Croatian taxes siphoned off to lesser developed areas, but also at having no say in how these funds were to be distributed.

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BAHAMAS: Prime Minister Lynden Pindling has dissolved parliament and announced that new elections will be held on 19 September 1972. Dissension within Pindling's Progressive Labor Party (PLP) and growing dissatisfaction with the PLP's inability to halt the decline of the economy apparently prompted Pindling to decide that delay would work to the opposition's advantage. He also announced that the newly elected parliament's first act would be to propose complete independence from Great Britain in 1973, clearly indicating that independence will be an important campaign issue. Despite opposition efforts and economic problems, the PLP's emotional appeal is strong and may pull the PLP through to victory, although possibly with a reduced majority. [REDACTED]

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